

CITY OF SIOUX RAPIDS
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008 .

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CITY OF SIOUX RAPIDS
OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January, 2008)		
Nathan Leidahl	Mayor	Resigned December 31, 2007
Dave Althaus	Council Member	January, 2008
Dave Rassler	Council Member	January, 2008
Valerie Small	Council Member	January, 2008
Allen Sorenson	Council Member	January, 2010
James Wise	Council Member	January, 2010
Diane Teno	City Clerk	Indefinite
Kathy Lansink	Deputy Clerk/Treasurer	Indefinite
Mark Cornish	Attorney	Indefinite
(After January, 2008)		
Andrew Hasley	Mayor	January, 2010
Allen Sorenson	Council Member	January, 2010
James Wise	Council Member	January, 2010
Brent Landsness	Council Member	January, 2012
Keith Stoeber	Council Member	January, 2012
Brenda Tiefenthaler	Council Member	January, 2012
Diane Teno	City Clerk	Indefinite
Kathy Lansink	Deputy Clerk/Treasurer	Indefinite
Mark Cornish	Attorney	Indefinite

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.
JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Sioux Rapids, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Sioux Rapids, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Sioux Rapids, as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2009, on our consideration of City of Sioux Rapids's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 17 and 18 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

City of Sioux Rapids, Iowa, has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

March 23, 2009

Hunzelman, Putzier & Co.

CITY OF SIOUX RAPIDS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit A

	Disbursements	Charges for Service	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities							
Public safety	\$ 407,753	\$ 10,238	\$ 3,480	\$ 40,200	\$ (353,835)	\$ -	\$ (353,835)
Public works	232,913	884	62,442	-	(169,587)	-	(169,587)
Health and social services	63	-	-	-	(63)	-	(63)
Culture and recreation	53,787	7,599	42,757	-	(3,431)	-	(3,431)
Community and economic development	30	-	-	4,000	3,970	-	3,970
General government	71,623	9,920	-	-	(61,703)	-	(61,703)
Debt service	16,638	-	10,227	-	(6,411)	-	(6,411)
Total governmental activities	782,807	28,641	118,906	44,200	(591,060)	-	(591,060)
Business type activities							
Water	68,602	85,318	-	-	-	16,716	16,716
Sewer	73,682	75,261	-	-	-	1,579	1,579
Garbage	74,082	74,647	-	-	-	565	565
Utility deposits	612	3,495	-	-	-	2,883	2,883
Total business type activities	216,978	238,721	-	-	-	21,743	21,743
Total	\$ 999,785	\$ 267,362	\$ 118,906	\$ 44,200	(591,060)	21,743	(569,317)
General Receipts:							
Property tax levied for:							
General purposes					125,723	-	125,723
Utility excise replacement tax					7,078	-	7,078
Local option sales tax					62,157	-	62,157
Notes proceeds					420,000	-	420,000
Anticipation note proceeds					260,000	-	260,000
Anticipation note redeemed					(260,000)	-	(260,000)
Unrestricted interest on investments					2,627	11,291	13,918
Utility rebates					9,264	-	9,264
Sale of assets					10,770	-	10,770
Miscellaneous					3,082	-	3,082
Total general receipts					640,701	11,291	651,992

CITY OF SIOUX RAPIDS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit A
 (Continued)

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Charges for	Operating Grants, Contributions, and Restricted	Capital Grants, Contributions, and Restricted	Governmental	Business Type	Total
<u>Disbursements</u>	<u>Service</u>	<u>Interest</u>	<u>Interest</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Change in cash basis net assets				\$ 49,641	\$ 33,034	\$ 82,675
Cash basis net assets beginning of year				86,751	334,521	421,272
Cash basis net assets end of year				<u>\$ 136,392</u>	<u>\$ 367,555</u>	<u>\$ 503,947</u>
Cash Basis Net Assets						
Restricted:						
Streets				\$ (24,862)	\$ -	\$ (24,862)
Debt service				4,239	-	4,239
Unrestricted				157,015	367,555	524,570
Total cash basis net assets				<u>\$ 136,392</u>	<u>\$ 367,555</u>	<u>\$ 503,947</u>

See notes to financial statements.

CITY OF SIOUX RAPIDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit B

	General	Special Revenue Road Use	Nonmajor Debt Service	Total
Receipts:				
Property taxes	\$ 125,512	\$ -	\$ 211	\$ 125,723
Other city tax	69,235	-	-	69,235
Licenses and permits	2,728	-	-	2,728
Use of money and property	12,697	-	-	12,697
Intergovernmental	8,989	62,022	-	71,011
Charges for service	8,862	-	-	8,862
Miscellaneous	100,775	420	10,227	111,422
Total receipts	<u>328,798</u>	<u>62,442</u>	<u>10,438</u>	<u>401,678</u>
Disbursements:				
Operating:				
Public safety	407,753	-	-	407,753
Public works	36,705	196,208	-	232,913
Health and social services	63	-	-	63
Culture and recreation	53,787	-	-	53,787
Community and economic development	30	-	-	30
General government	71,623	-	-	71,623
Debt service	-	-	16,638	16,638
Total disbursements	<u>569,961</u>	<u>196,208</u>	<u>16,638</u>	<u>782,807</u>
Deficiency of receipts over disbursements	<u>(241,163)</u>	<u>(133,766)</u>	<u>(6,200)</u>	<u>(381,129)</u>
Other financing sources (uses):				
Sale of assets	8,270	2,500	-	10,770
Anticipation note proceeds	260,000	-	-	260,000
Anticipation note redeemed	(260,000)	-	-	(260,000)
Note proceeds	297,295	122,705	-	420,000
Total other financing sources	<u>305,565</u>	<u>125,205</u>	<u>-</u>	<u>430,770</u>
Net change in cash balances	64,402	(8,561)	(6,200)	49,641
Cash balances beginning of year	<u>92,613</u>	<u>(16,301)</u>	<u>10,439</u>	<u>86,751</u>
Cash balances end of year	<u>\$ 157,015</u>	<u>\$ (24,862)</u>	<u>\$ 4,239</u>	<u>\$ 136,392</u>

CITY OF SIOUX RAPIDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit B
 (Continued)

	<u>General</u>	<u>Special Revenue Road Use</u>	<u>Nonmajor Debt Service</u>	<u>Total</u>
Cash Basis Fund Balances:				
Unreserved:				
General fund	\$ 157,015	\$ -	\$ -	\$ 157,015
Special revenue funds	-	(24,862)	-	(24,862)
Debt service	-	-	4,239	4,239
Total cash basis fund balances	<u>\$ 157,015</u>	<u>\$ (24,862)</u>	<u>\$ 4,239</u>	<u>\$ 136,392</u>

See notes to financial statements

CITY OF SIOUX RAPIDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit C

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Nonmajor Fund Utility Deposits</u>	<u>Total</u>
Operating receipts:					
Charges for service	\$ 83,671	\$ 75,261	\$ 74,647	\$ -	\$ 233,579
Miscellaneous	<u>1,647</u>	<u>-</u>	<u>-</u>	<u>3,495</u>	<u>5,142</u>
Total operating receipts	85,318	75,261	74,647	3,495	238,721
Operating disbursements:					
Business type activities	<u>68,602</u>	<u>73,682</u>	<u>74,082</u>	<u>612</u>	<u>216,978</u>
Excess of operating receipts over operating disbursements	16,716	1,579	565	2,883	21,743
Non-operating receipts:					
Interest on investments	<u>5,343</u>	<u>3,164</u>	<u>2,423</u>	<u>361</u>	<u>11,291</u>
Net change in cash balances	22,059	4,743	2,988	3,244	33,034
Cash balances beginning of year	<u>194,907</u>	<u>67,291</u>	<u>58,956</u>	<u>13,367</u>	<u>334,521</u>
Cash balances end of year	<u>\$ 216,966</u>	<u>\$ 72,034</u>	<u>\$ 61,944</u>	<u>\$ 16,611</u>	<u>\$ 367,555</u>
Cash Basis Fund Balances					
Unreserved	<u>\$ 216,966</u>	<u>\$ 72,034</u>	<u>\$ 61,944</u>	<u>\$ 16,611</u>	<u>\$ 367,555</u>

See notes to financial statements.

CITY OF SIOUX RAPIDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. Summary of Significant Accounting Policies

City of Sioux Rapids is a political subdivision of the State of Iowa located in Buena Vista County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Sioux Rapids has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Buena Vista County Assessor's Conference Board, Buena Vista County Joint Disaster Services Commission, Buena Vista County E911 Service Board, and Buena Vista County Solid Waste Commission.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

CITY OF SIOUX RAPIDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. Summary of Significant Accounting Policies - (Continued)

B. Basis of Presentation - (Continued)

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the main operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Garbage Fund accounts for the operation of the City solid waste system.

Additionally, the City reports the following fund:

Fiduciary Funds – The Agency Fund is used to account for assets held by the City as an agent for a private organization.

C. Measurement Focus and Basis of Accounting

City of Sioux Rapids maintains its financial records on the basis of cash receipts and disbursements, and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general receipts.

CITY OF SIOUX RAPIDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. Summary of Significant Accounting Policies - (Continued)

C. Measurement Focus and Basis of Accounting – (Continued)

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the debt service function.

2. Cash

The City's deposits in banks at June 30, 2008, were entirely covered by federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

3. Notes Payable

Annual debt service requirements to maturity for the general obligation note are as follows:

Year Ending		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 34,462	\$ 17,956
2010	36,003	16,416
2011	37,612	14,807
2012	39,292	13,126
2013	41,048	11,370
2014-2018	<u>226,347</u>	<u>27,640</u>
Total	<u>\$ 414,764</u>	<u>\$ 101,315</u>

CITY OF SIOUX RAPIDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

4. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2008 was \$9,543 equal to the required contribution for the year.

5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$4,834</u>

This liability has been computed based on rates of pay as of June 30, 2008.

6. Risk Management

City of Sioux Rapids is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

7. Deficit Balance

The Special Revenue Fund, Road Use Tax Fund had a deficit balance of \$24,862 at June 30, 2008. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated by transfers from other funds.

CITY OF SIOUX RAPIDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

8. Landfill Agreement

The City participates in an agreement with the Buena Vista County Solid Waste Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the member county and municipalities. Payments to the commission totaled \$37,925 during the year ended June 30, 2008.

Buena Vista County has guaranteed closure and post closure costs of the landfill as per Chapter 567-113.14(6f) of the Iowa Administrative Code. The landfill was closed on September 30, 2007 and the total costs have been estimated at approximately \$143,883 and \$930,600, respectively as of June 30, 2008.

9. Commitments

Buena Vista County performed certain public improvement projects and assessed a portion of these costs to the City. A road reconstruction project was completed in August, 2004 and a bridge replacement project was completed in May, 2006. The City's share of these projects was \$20,021 and \$18,045, respectively. These costs are being repaid over five years. Following, is the amount remaining to be paid:

<u>Project</u>	<u>City's Portion</u>	<u>Paid As of 6-30-08</u>	<u>Commitment As of 6-30-08</u>
Road reconstruction	\$18,045	14,436	\$3,609
Bridge replacement	20,021	12,013	8,008

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SIOUX RAPIDS
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>	<u>Budgeted Amounts</u>		Final to Total <u>Variance</u>
				<u>Original</u>	<u>Final</u>	
Receipts:						
Property tax	\$ 125,723	\$ -	\$ 125,723	\$ 125,944	\$ 125,944	\$ (221)
Other city tax	69,235	-	69,235	68,312	68,312	923
Licenses and permits	2,728	-	2,728	2,400	2,400	328
Use of money and property	12,697	-	12,697	24,942	22,768	(10,071)
Intergovernmental	71,011	-	71,011	64,000	66,989	4,022
Charges for service	8,862	233,579	242,441	236,800	235,565	6,876
Miscellaneous	111,422	5,142	116,564	19,400	56,807	59,757
Total receipts	<u>401,678</u>	<u>238,721</u>	<u>640,399</u>	<u>541,798</u>	<u>578,785</u>	<u>61,614</u>
Disbursements:						
Public safety	407,753	-	407,753	95,930	416,014	8,261
Public works	232,913	-	232,913	116,765	250,581	17,668
Health and social services	63	-	63	1,000	1,000	937
Culture and recreation	53,787	-	53,787	39,797	59,353	5,566
Community and economic development	30	-	30	2,300	30	-
General government	71,623	-	71,623	70,664	79,837	8,214
Debt service	16,638	-	16,638	-	6,411	(10,227)
Business type activities	-	216,978	216,978	214,642	229,714	12,736
Total disbursements	<u>782,807</u>	<u>216,978</u>	<u>999,785</u>	<u>541,098</u>	<u>1,042,940</u>	<u>43,155</u>
Excess (deficiency) of receipts over disbursements	(381,129)	21,743	(359,386)	700	(464,155)	104,769
Other financing sources, net	430,770	11,291	442,061	-	462,320	(20,259)
Balances, beginning of year	<u>86,751</u>	<u>334,521</u>	<u>421,272</u>	<u>475,431</u>	<u>419,963</u>	<u>1,309</u>
Balances, end of year	<u>\$ 136,392</u>	<u>\$ 367,555</u>	<u>\$ 503,947</u>	<u>\$ 476,131</u>	<u>\$ 418,128</u>	<u>\$ 85,819</u>

See accompanying independent auditor's report.

CITY OF SIOUX RAPIDS
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING
JUNE 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$501,842. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the debt service function.

SUPPLEMENTARY INFORMATION

CITY OF SIOUX RAPIDS
 SCHEDULE OF INDEBTEDNESS
 YEAR ENDED JUNE 30, 2008

Schedule 1

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning Of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End Of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation notes:									
Aniticipation project note	July 27, 2007	4.50%	<u>\$ 260,000</u>	<u>\$ -</u>	<u>\$ 260,000</u>	<u>\$ 260,000</u>	<u>\$ -</u>	<u>\$ 2,120</u>	<u>\$ -</u>
Corporate purpose	November 30, 2007	4.42%	<u>\$ 420,000</u>	<u>\$ -</u>	<u>\$ 420,000</u>	<u>\$ 5,236</u>	<u>\$ 414,764</u>	<u>\$ 9,282</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF SIOUX RAPIDS

Schedule 2

NOTE MATURITIESJUNE 30, 2008

General Obligation Notes

Corporate Purpose

Issued November 30, 2007

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
2009	4.42 %	\$ 34,462
2010	4.42	36,003
2011	4.42	37,612
2012	4.42	39,292
2013	4.42	41,048
2014	4.42	42,883
2015	4.42	44,799
2016	4.42	46,801
2017	4.42	48,893
2018	4.42	42,971
		<hr/> \$ 414,764 <hr/>

See accompanying independent auditor's report.

CITY OF SIOUX RAPIDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
AGENCY FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Schedule 3

	Tall Corn Days
Receipts	\$ 4,403
Disbursements	<u>7,355</u>
Net change in cash balances	(2,952)
Cash balance beginning of year	<u>13,996</u>
Cash balance end of year	<u>\$ 11,044</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.
JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
Sioux Rapids, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Sioux Rapids, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 23, 2009. Our report on the financial statements, which were prepared in conformity with another comprehensive basis of accounting, expressed a qualified opinion since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Sioux Rapids's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Sioux Rapids's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Sioux Rapids's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Sioux Rapids's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Sioux Rapids's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies describe above, we believe items I-A-08, I-B-08, I-C-08, and I-D-08 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sioux Rapids's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Sioux Rapids's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's responses, we did not audit City of Sioux Rapids's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of City of Sioux Rapids and other parties to whom City of Sioux Rapids may report. This report is not intended to be and should not be used by anyone other than these specified parties.

March 23, 2009

Hengeman, Butcher & Co.

CITY OF SIOUX RAPIDS
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS

- I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled either of two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – Our current operating procedures will be evaluated to determine what changes can be made to better segregate duties of the two part-time office personnel.

Conclusion – Response accepted.

- I-B-08 Reconciliation of Utility Billings, Collections, and Delinquencies - Utility billings, collections, and delinquent accounts were not reconciled throughout the year.

Recommendation - Procedures should be established to reconcile utility billings, collections, and delinquencies for each billing period. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – We will make every attempt to comply with this recommendation.

Conclusion – Response accepted.

- I-C-08 Library Memorial Funds - The Library currently maintains separate bank accounts which are not included in the City's financial records. This is not a separate non-profit corporation, but is a department which was established by City ordinance. Chapter 384.20 of the Iowa Code states in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property. Public moneys may not be expended or encumbered except under an annual or continuing appropriation."

CITY OF SIOUX RAPIDS
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Financial Statements: - (Continued)

I-C-08 Library Memorial Funds - (Continued)

Recommendation - These funds should be included in the City's financial records and any disbursements should be budgeted and properly supported by adequate documentation of public purpose.

Response – The Library Memorial Fund will be included in the City's financial records.

Conclusion – Response accepted.

I-D-08 Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response – We plan on taking additional classes.

Conclusion – Response accepted.

I-E-08 Unsupported Disbursement – A check was written prior to June 30, 2008 in the amount of \$1,947 to pay for street sweeper brooms. However, the brooms were not actually received and the check was not cashed until October, 2008.

Recommendation – Checks should not be written unless the City has actually taken possession of the items and there is proper documentation supporting the purchase.

Response – Unless prepayment is required, checks will not be written until the City has received the items, and the proper documentation supporting the purchase.

Conclusion – Response accepted.

CITY OF SIOUX RAPIDS
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Financial Statements: - (Continued)

I-F-08 Software Issues – The software currently being used by the City does not provide the information necessary to be able to reconcile the utility billing properly, and the account numbering system does not correspond to the City Finance Committee recommended numbers. Also, some year-end reports do not provide the detail necessary to assist the City Clerk in preparing accurate financial information.

Recommendation – The City may want to consider different options for software which may allow the City Clerk to more accurately accumulate the information necessary to prepare more timely and accurate reports.

Response – A new version of the accounting software is available through our current vendor. We will research upgrading to the new version or purchasing a software package from another vendor.

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-08 Certified Budget - Disbursements during the year ended June 30, 2008 exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – This was a specific situation that resulted when repayment of the fire truck loan began. We will amend the budget as needed in the future.

Conclusion – Response accepted.

II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-08 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-08 Business Transactions - We noted no business transactions between the City and City officials or employees.

II-E-08 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CITY OF SIOUX RAPIDS
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Statutory Reporting: - (Continued)

- II-F-08 Deposits and Investments – We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa. However, the investment policy was last reviewed several years ago and since that time certain sections of the Code of Iowa dealing with the investment policy have been changed.
- Recommendation - The Council should review and approve the investment policy periodically and update the Iowa Code references.
- Response – We will review and update the City’s investment policy.
- Conclusion – Response accepted.
- II-G-08 Financial Condition - At June 30, 2008, the City had a deficit balance in the Road Use Tax Fund of \$24,862.
- Recommendation - The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial condition.
- Response – We will work to eliminate the deficit in the Road Use Tax Fund.
- Conclusion – Response accepted.
- II-H-08 City Code of Ordinances - The City has not compiled the City ordinances within the past five years.
- Recommendation - Chapter 380.8 of the Code of Iowa states in part, “At least once every five years, a city shall compile a Code of ordinances containing all City ordinances in effect, except grade ordinances, bond ordinances, zoning ordinances, and ordinances vacating streets and alleys.” The City should compile the City ordinances as required.
- Response – We are currently working with Iowa Codification, Inc. on the recodification of the City’s ordinances.
- Conclusion – Response accepted.
- II-I-08 Required Funds - The City has not established the Employee Benefits or Local Option Sales Tax funds to account for the receipt and disbursement of these monies.
- Recommendation - The City should establish the funds as required and properly account for these receipts and disbursements.
- Response – We will establish the Employee Benefits and Local Option Sales Tax funds.
- Conclusion – Response accepted.

CITY OF SIOUX RAPIDS
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Statutory Reporting: - (Continued)

II-J-08 Form 1099 - The Internal Revenue Service requires that Form 1099 be prepared when disbursements for services to a non-corporate entity exceed \$600 in a calendar year. The City is currently not issuing any 1099's.

Recommendation - The City should monitor yearly disbursements by vendor and issue a Form 1099 if required.

Response – We will issue Form 1099's as required.

Conclusion – Response accepted.